

BEFORE THE IDAHO BOARD OF TAX APPEALS

C. MICHAEL COMPTON,	)	
	)	
Appellant,	)	APPEAL NO. 14-A-1006
	)	
v.	)	FINAL DECISION
	)	AND ORDER
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

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**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Bonner County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP024570010010A. The appeal concerns the 2014 tax year.

This matter came on for hearing September 24, 2014 in Sandpoint, Idaho before Board Member Linda Pike. Appellant C. Michael Compton was self-represented. Assessor Jerry Clemons represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

**The issue on appeal concerns the market value of an improved residential property.**

**The decision of the Bonner County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$58,000, and the improvements' valuation is \$188,030, totaling \$246,030. Appellant contends the correct total value is \$175,000

The subject property is a .815 acre parcel improved with a 2,104 square foot single-level residence constructed in 2002. The property abuts an active railroad line. Subject is located south of Sandpoint, Idaho in the Fry Creek area, which Respondent described

as a middle-upper class neighborhood.

Appellant purchased subject in April 2014 for \$175,000 in an arm's-length transaction. In Appellant's view, subject's assessed value should mirror the recent purchase price. Because subject's purchase occurred after the January 1, 2014 assessment date, Appellant alternately argued the listing price history should be considered. In this regard, Appellant noted subject's original asking price in June 2013 was \$214,000, which was subsequently reduced to \$189,000 in November.

Respondent acknowledged subject's proximity to the railroad tracks and explained a 10% downward adjustment was applied to the land value to account for the noise influence. In terms of value evidence, Respondent offered one (1) group of sales in support of subject's land value, and another group for the improvements' valuation. The first group included three (3) sales which occurred during 2013. Sale Nos. 1 and 3 involved adjacent improved properties situated to the south and to the west of subject, respectively. Sale No. 1 was a 1.831 acre parcel which sold for \$215,000. The .797 acre Sale No. 3 property sold for \$219,000. Sale No. 2 was located less than one (1) mile from subject. This .39 acre improved parcel sold for \$140,000. No details concerning the improvements associated with the sales were provided. Removing assessed improvement values from the sale prices yielded land residual price estimates between \$56,430 and \$112,710. Subject's assessed land value is \$58,000.

Respondent's second sale group likewise involved improved residential properties, though lot sizes and locations of the sales were not provided. The sale residences shared

the same construction quality and condition ratings as subject, and were generally similar in terms of square footage and age. Sale prices ranged from \$243,000 to \$359,000. Removing assessed land values, Respondent calculated residual improvement values between \$170,074 and \$266,898, or from \$86.98 to \$102.50 per square foot. Subject's residence was assessed at \$188,030, or \$89.37 per square foot.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2014 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential properties are often valued using a sales comparison

approach.

Appellant argued the best evidence of subject's value was its purchase in April 2014 for \$175,000. The Board agrees generally the recent arm's-length purchase of a property is strong evidence of its current market value. In this instance, however, subject's purchase occurred roughly four (4) months after the January 1, 2014 assessment date. Typically, value opinions are developed using market information known or knowable as of the effective valuation date. Because subject's purchase happened several months after the date of valuation, the Board is unable to rely on this price information for establishing value on January 1<sup>st</sup>.

While subject's purchase was untimely for purposes of this decision, Appellant did provide the listing history. Subject's June 2013 asking price was \$214,000, which was reduced to \$189,000 in November. The Board understands well the best evidence of market value in a sales comparison approach is a consideration of recent sales of similar property. However, listing information can provide useful guidance on the upper limits of probable value. In this regard, the Board's decision here includes a consideration of subject's listing history. Support for Respondent's value estimate was offered in the form of two (2) groups of recent residential sales. The group used to value subject's improvements included four (4) improved sales from mid-2013. Sale prices ranged from \$243,000 to \$359,000. The sale properties were representative of subject in terms of age, construction quality, square footage, and condition. Respondent calculated residual improvement values by subtracting assessed land values from the respective sale prices.

The result was improvement price residuals between \$170,074 and \$266,898, or from \$86.98 to \$102.50 per square foot.

Respondent's next group of sales included two (2) sales situated in subject's immediate proximity and a third sale property located less than one (1) mile to the northwest. Lot sizes were between .39 and 1.831 acres, and sale prices ranged from \$140,000 to \$219,000. These sales were used to develop subject's land value estimate by removing assessed improvement values from the sale prices. Land price residuals were between \$56,430 and \$112,710.

The Board appreciated the sales information furnished by Respondent, however, there were some concerns with the accompanying analysis. In addition to evaluating basic physical characteristics, a key factor in considering comparable sales is location. This important consideration featured prominently in Respondent's land value analysis, however, was absent in developing the value of subject's improvements. Indeed, no information regarding location was shared for the sales offered in support of subject's improvements' value. Instead, Respondent focused on sales involving residential improvements with general physical characteristics similar to subject's improvements. The potential problem with such an approach is it ignores the impact of location on property value. While the cost of construction may be the same in different areas in town, subsequent sale prices might vary widely due to locational influences.

In the present case, subject abuts an active railroad track. Recognizing this as a negative influence, Respondent applied a 10% downward adjustment to subject's land

value. Because location details were not shared, there is no way to determine whether Respondent's sale properties were similarly influenced by a railroad, or some other value-impacting factor. If the sale properties were not negatively influenced then it is likely their sale prices would be higher than if they were negatively burdened.

The Board was similarly concerned with lack of property characteristic details for the sales used to develop subject's land value. Aside from lot size and location, no other information was provided; including details regarding the improvements associated with each sale. Due to the importance of location in connection with market value, the Board agrees the sales in subject's immediate area represent good value evidence. However, rather than using these sales to extract merely land values, the Board would have preferred a more direct comparison to subject on an overall basis because any locational influences would be inherently reflected in the sale prices.

While Respondent is required to assign value to both subject's land and improvements components, the ultimate goal in appraisal is estimating overall value. It is prudent to consider subject's total value in relation to other properties in the neighborhood. Respondent provided two (2) sales located in subject's immediate area which sold for \$215,000 and \$219,000, respectively. Subject's total assessed value is roughly \$246,000, which appears high compared to sale prices in the immediate area. Further supporting this conclusion is subject's listing history, wherein the highest asking price was \$214,000, which fits nicely within the value range indicated by the sales.

In appeals to this Board, Appellant bears the burden of proving error in subject's

assessed value by a preponderance of the evidence. Idaho Code § 63-511. The Board finds the burden of proof satisfied in this instance. All the value evidence from the immediate neighborhood, including subject's asking prices leading up to the assessment date, indicate subject's overall assessed value is high. As such, the Board will reduce subject's total value to \$220,000. Adequate support for subject's land value was demonstrated, therefore the Board's reduction applies only to the improvements' value.

Based on the above the decision of the Bonner County Board of Equalization is modified to reduce the value of subject's improvements to \$162,000, with no changes to the land value, resulting in a total value of \$220,000.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a total value of \$220,000.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

DATED this 16<sup>th</sup> day of March, 2015.